

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 EB-08 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 /093 W
-----056076 260247Z /75

R 251700Z AUG 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 6727
INFO AMEMBASSY BONN
AMEMBASSY LONDO
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS

C O N F I D E N T I A L ROME 13839

USOECD ALSO FOR EMBASSY; USEEC

E.O. 11652: GDS
TAGS: EFIN, UR, IT
SUBJECT: ITALO-SOVIET TALKS ON CREDIT

REF: STATE 198287 (NOTAL)

1. BEGIN SUMMARY: CHARGE AND ECMIN USED OCCASION OF COURTESY CALL BY FORMER ON AMBASSADOR MONDELLO, DIRECTOR GENERAL FOR ECONOMIC AFFAIRS OF FOREIGN MINISTRY, ON AUGUST 24 TO PRESS GOI NOT TO BREACH EXPORT CREDIT CONSENSUS TERMS IN CONCLUDING NEW CREDIT AGREEMENT WITH USSR. IN COURSE OF FAIRLY EXTENDED CONVERSATION EMBASSY OFFICERS STRESSED IMPORTANCE TO ALL PARTICIPATING COUNTRIES OF MAINTAINING CONSENSUS, FACT THAT NONE OF OTHER PARTIES TO AGREEMENT HAD BEEN PROVEN TO HAVE VIOLATED THE CONSENSUS AND ABSENCE OF OTHER THAN TEMPORARY ADVANTAGE IF ITALY SHOULD BREACH AGREEMENT. MONDELLO SAID ITALY
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WILL HOLD TO CONSENSUS. END SUMMARY.

2. MONDELLO STATED CATEGORICALLY THAT ITALY WOULD CONTINUE TO ABIDE BY TERMS OF CONSENSUS. HE AGREED ON IMPORTANCE OF DOING SO, AND AGREED FULLY THAT ANY ADVANTAGE TO ITALY FROM BREACHING MINIMUM WOULD BE SHORT-LIVED. MONDELLO ADDED THAT ALTHOUGH NEGOTIA-

TIONS ARE BEING HANDLED PRIMARILY BY MINISTRY OF FOREIGN TRADE, BOTH MINISTER OSSOLA AND FOREIGN EXCHANGE DIRECTOR GENERAL FIRRAO WERE FOLLOWING GUIDANCE OF FOREIGN MINISTRY ON TERMS.

3. ACCORDING TO MONDELLO, FRANCE AND U.K. ARE ALSO URGING ITALY TO REMAIN FIRM. MONDELLO SHOWED EMBASSY OFFICERS COPY OF LETTER SENT BY OSSOLA AUGUST 8 TO BRITISH TRADE MINISTER DELL, IN RESPONSE TO MESSAGE FROM DELL, IN WHICH HE CONFIRMED THAT ITALY WOULD HOLD TO CONSENSUS.

4. OUR DISCUSSION WITH MONDELLO ON TERMS OF RECENT GERMAN CREDIT AGREEMENT WAS SOMEWHAT CONFUSED. REFTEL STATED GERMAN LOAN DOES NOT VIOLATE CONSENSUS TERMS BECAUSE IT IS ONLY GOVERNMENT GUARANTEED CREDIT, AND NOT DIRECT GRANT LOAN, WHEREAS MONDELLO'S INFORMATION WAS THAT LOAN WAS ONLY PRIVATELY INSURED (BY HERMES) CREDIT. IN PASSING, HE COMMENTED THAT, SINCE ITALY'S EXPORT CREDITS ARE ALSO NOT MADE DIRECTLY BY GOVERNMENT, PERHAPS THEY COULD ALSO BE CONSIDERED OUTSIDE THE CONSENSUS. MONDELLO'S INFORMATION CONCERNING JAPAN-USSR CREDIT AGREEMENT CONFORMED TO OURS.

5. MONDELLO ASSERTED THAT SOVIETS HAVE TAKEN UNUSUALLY STRONG POSITION ON INTEREST RATES, QUITE CONFIDENTIAL

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UNLIKE PREVIOUS NEGOTIATIONS. MONDELLO RELATED THIS TO FACT THAT MINIMUM INTEREST RATES ESTABLISHED IN CONSENSUS ARE CONSIDERABLY HIGHER THAN CURRENT EURODOLLAR RATES (HE DID NOT SPECIFY WHICH). HE WONDERED, THEREFORE, WHETHER PARTIES TO AGREEMENT MIGHT NOT NEGOTIATE MODEST LOWERING (PERHAPS 0.2 PERCENT) OF MINIMUM INTEREST RATES. HE HOPED, OF COURSE, THAT THIS WOULD NOT CAUSE SOVIETS TO PRESS FOR FURTHER DECREASE. IN THAT CONNECTION, MONDELLO STATED THAT THERE WAS NO POSSIBILITY OF ITALY'S AGREEING TO SOVIET-PROPOSED SUBTERFUGE OF CALLING NEW CREDIT AGREEMENT AN EXTENSION OF EARLIER AGREEMENT AND INCLUDING TERMS MORE FAVORABLE THAN PERMITTED UNDER CONSENSUS.

6. IN CONCLUSION, MONDELLO ASSURED EMBASSY OF CONTINUING ADHERENCE TO CONSENSUS AND PROMISED TO TRANSMIT OUR REPRESENTATION TO MINISTRY OF FOREIGN TRADE. EMBASSY ALSO INTENDS TO DISCUSS ISSUE DIRECTLY WITH THAT MINISTRY.

7. ACTION REQUESTED. MONDELLO ASKED IF EMBASSY

COULD PROVIDE WRITTEN USG VIEW AS TO
CONFORMITY OF GERMAN/USSR CREDIT WITH CONSENSUS. CAN
WASHINGTON PROVIDE ANY INFORMATION BEYOND THAT
CONTAINED IN PARA 2 OF REFTTEL? WOULD ALSO APPRECIATE
FINAL WASHINGTON EVALUATION OF WHETHER JAPANESE
CREDIT CONFORMS EITHER TO LETTER OR SPIRIT OF CONSENSUS.HOLMES

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 25-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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